

# NEW HAMPSHIRE STATE LIQUOR COMMISSION

## MINUTES OF MEETING – APRIL 26, 2006

**PRESENT:** Commissioner John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Eddie Edwards, Chief of Enforcement; Steven Slovenski, Legal Counsel; Howard Roundy, Director of Information Technology; Kathleen Hass, Director of Purchasing; Peter Engel, Director of Store Operations; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Doreen Wittenberg, Administrative Services. **Guests:** Al Picconi, Southern Wine & Spirits of N.E., Inc; Sophia Cigliano, Griffin, Bodi and Krause.

**EXCUSED:** Chairman Anthony Maiola.

Sophia Cigliano from Griffin, Bodi & Krause was introduced by John Bunnell. She gave an overview of the planned summer program for June, July and August, which is geared towards generating sales and excitement among the employees in preparation for Merchandising Mania. The “Sightsee ‘N Save” program focuses on highlighting different sections of New Hampshire. Merchandising Mania awards will be given for the most creative displays in each cluster and also for total sales number increases, with judging to take place in July or August. Peter mentioned that advertising support also will be dependent upon what employees will provide, such as retro or historical items, in addition to bag stuffers and shelf talkers, etc. This program will also dovetail with the new lottery ticket to be used this summer, as well as cooperation with the Cultural Affairs office. Commissioner Byrne cautioned that inventory levels should be controlled carefully during this time.

### **I. FINANCIAL & ADMINISTRATIVE REPORTS**

#### **1. Financial Reports**

##### **A. Weekly, Y-T-D Sales Reports:**

Total sales for the week ending April 23, 2006 increased by almost 8% or \$514,687 for the weekly comparison, as they did year-to-date by a little over 6% or \$19,580,175.

##### **B. Budget/Administrative Reports:**

The committee reviewing the OIT and Liquor Commission agreement met last week and are putting together some comments, which Howard is now reviewing. It should be forwarded to the Commission shortly.

The licensee on-line ordering program is scheduled to begin next Monday. A few glitches are being straightened out, and it is anticipated there may a few more issues to work on.

The Law contract committee met yesterday to do an initial review of the actual recommendations submitted by Law regarding rates. A matrix will be created to help make evaluations.

The Commission's Capital Budget plan was signed and has been forwarded to the budget office. The Operating Budget should be coming over to the Commission shortly.

The current W-6 Expense Budget Activity Variance Report shows that the year is at about 82% complete, with total expenditures at around 77%. A benefits estimate for year end will be presented to the Commission for authorization. About \$650,000 in benefits appropriation will be requested. After that, the \$100,000 needed for utilities will be addressed.

A letter was received from those handling the settlement regarding the Visa Anti-trust Litigation saying the Commission has been selected as part of a random audit process. A package has been put together and will be forwarded to Steve to prepare a cover letter. The deadline to submit the paperwork is next Wednesday, but Craig would like to overnight the package this Friday.

2. IT Report

A claim has been received from Master Card that, due to the breach of the system a short time ago, faulty credit cards were produced. The State must reply within 60 days stating the reasons why this could not have been caused by this agency. Theresa Perry Curtis from the credit cards division of OIT will be answering this with our assistance.

A presentation on the electronic leave system took place this morning. The new program should be ready to move forward within a couple of weeks.

Changes made to the FAP disk space server went a little slow last night. Howard asked that everyone shut down their computers or at least make sure they are logged off when they leave work.

The upgrade to Masterpiece will begin shortly, which will move around disk assignments. Tests will be made on the new system, with the old system remaining in force until everything is ready.

Companies responding to the RFP for point-of-sale equipment will be coming in to make presentations for the next three weeks. It is estimated that a decision will be during the third week in May. Another RFP will be sent out to provide high speed network service to the stores and to the Commissioners. This will significantly increase store capabilities.

There will be training for brokers on May 16 regarding special offer electronic submissions. Commissioner Byrne felt all brokers should be required to use this program by September 2006.

3. Human Resources Report:

The Workers Compensation report through April 2006 shows three big pay-offs have occurred so far this year. If these sums are subtracted, the Commission's workers compensation figures are close to those incurred in 2005. There are currently two employees out on compensation, one in the Enforcement Bureau and one in the stores. One other employee has returned to light duty. There have been only six medical claims in the last two months, which Evie felt was very good.

**II. MARKETING & SALES REPORTS**

1. Store Operations:

Total store sales for the week ending 4/23/06 were up 4.98% or \$252,944.48. There was nothing unusual to report.

Cluster 2 store representatives met last week at Store #73 Hampton to discuss the wine program, inventory and some other items. Peter reported that the meeting went very well.

2. Purchasing Report

Kathy distributed the latest out-of-stock report. She asked for direction from the Commission regarding an item approved for programming for May which now will not be received until mid-May. Commissioner Byrne recommended not purchasing any of the items in that particular program until all of the featured products are received. Nicole will inform the broker that there will be no purchase until all four items have arrived in stock.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Redcliff American Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Southern Wine

& Spirits of N.E., Inc./Shaw-Ross International, Ltd. for a new test market listing for Redcliff American Liqueur, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Admiral Nelson Spiced Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Luxco for a new test market listing for Admiral Nelson Spiced Rum, 1.75L size (assigned new Code #4382), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (UV Citrus Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Phillips Distilling Company for a new test market listing for UV Citrus Vodka, 1.75L size (assigned new Code #3479), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request (Triple Eight Cranberry Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of Triple Eight Distillery for a new test market listing for Triple Eight Cranberry Vodka, 750ML size (assigned new Code #3323), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Request (Reyka Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./William Grant & Sons for a new test market listing for Reyka Vodka, 750ML size (assigned new Code #3476), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Test Market Request (Macallan 15-Yr. Old Single Malt):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Remy Amerique USA for a new test market listing for Macallan 15-Year Old Fine Oak Single Malt Whisky, 750ML size (assigned new Code #2960), to be initially distributed to Cluster 1, 2 and 3 stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. Test Market Request (Highland Park 15-Yr. Old Single Malt):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Remy Amerique USA for a new test market listing for Highland Park 15-Year Old Single Malt Whisky, 750ML size (assigned new Code #2946), to be initially distributed to Cluster 1, 2 and 3 stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

h. Test Market Request (Cesarisco Especial):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Martignetti Companies of N.H./Cesar Chirelle for a new test market listing for Cesarisco Especial, 750ML size, but to allow a warehouse only status for on-premise sales should the broker wish to do so, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

i. Test Market Result (Code #8474):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission delist Code #8474, 1800 Reposado Tequila, 1.75L size, as this item failed to achieve both the gross profit required for full distribution or the 85% required for a three-month warning at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Line Extension Request (UV Vodka, 750ML):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Phillips Distilling Company to add a line extension to UV Vodka, 750ML size (assigned new Code #3759), as this brand in the 1.75L has exceeded the gross profit required for an added size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Change in Test Market Tracking/Programming:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve changes in the tracking and programming of test market products, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) June Spirit E-Mail Coupons:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve e-mail coupons for nine (9) spirit items, effective during June 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Late Submission – Father's Day Sale (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve additional special offers from Horizon Beverage Company, based upon depletions for three (3) spirit items, to be featured on sale during the Father's Day Sale (June 8 through June 18, 2006), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for June 2006:

a. 2 items – M.S. Walker:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions/special purchase

allowances for two (2) wine items, to be featured on sale during June 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 21 items – M.S. Walker:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, NH, based upon depletions/special purchase allowances for twenty-one (21) wine items, to be featured on sale during June 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Store Tastings:

It was moved by Commissioner Russell, seconded by Commissioner Byrne, that the Commission approve a request from A.R. Pellegrini & Associates, Inc. to conduct in-store tastings featuring nine (9) wine codes during April and May 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) M.S. Walker Sweepstakes 2006:

It was moved by Commissioner Russell, seconded by Commissioner Byrne, that the Commission approve a request from M.S. Walker, NH to conduct a NHSLC gift card sweepstakes featuring twenty-five (25) wine codes during June 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Sterling Vintners Collection & BV Coastal “Seize the Sun” Promotion:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc. to conduct a “Seize the Sun” promotion during June and July 2006 featuring Sterling Vintners Collection and BV Coastal wines, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Special Sweepstakes & New Introduction – June & July 2006:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Pine State Beverage Company to conduct a consumer sweepstakes featuring four (4) Three Blind Moose and four (4) Trove 3 liter box wines during June and July 2006, and approve a new test listing for Code #43832, Three Blind Moose Pinot Grigio, 750ML size, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Purchase & Display Blackstone Riesling & Pinot Grigio:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Blackstone Winery for the Commission to purchase and display Code #43376, Blackstone Riesling and Code #43673, Blackstone Pinot Grigio during June and July 2006, and approve the removal of two (2) Riesling wine codes from retail, with reductions in price to assist in depleting remaining inventory, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Purchases and Introductions:

a. Ambiente & Lorikeet:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Southern Wine & Spirits of N.E., Inc./North Lake Wines for the Commission to purchase and introduce six (6) Ambiente and Lorikeet wines during June and July, but allow the testing of these items with three absolutes in all Cluster 1 stores and seven additional stores. The motion was unanimously adopted.

b. Delicato 3 Liter Boxes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Southern Wine & Spirits of N.E., Inc. for the Commission to purchase and introduce four (4) Delicato 3 liter box wines, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Duboeuf Pinot Noir RSV VDP:



It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Southern Wine & Spirits of N.E., Inc. for the Commission to purchase and introduce Code #43750, Duboeuf RSV Pinot Noir, but to make this product available with three absolutes in all Cluster 1 stores, and approve the removal of two (2) Duboeuf wine codes from retail status, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Biso 3 Liter Box:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Southern Wine & Spirits of N.E., Inc. for the Commission to purchase and introduce Code #42600, Biso Pinot Grigio, 3 liter size, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Primary Source Submissions:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of four (4) wine codes which are from primary source, nine (9) wine codes which are offered by the exclusive marketing agent and eleven (11) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

### **III. ENFORCEMENT & LICENSING REPORT**

Eddie reported that the Commission, along with several other agencies, will host a training program on March 4 regarding underage drinking, with a final one to be held on May 9 at 10:00 at the Common Man in Concord. He remarked that there had been a number of town hall meetings held on this subject that had been well attended. Lt. Wilson had copies made of activities planned in conjunction with the “Buyers Beware” program. A pamphlet from Concerned Women in State Government to parents is ready to go to print, and the Bureau is also working on some projects with the advertising agency. Hopefully, information will be distributed before prom and graduation time. The alligator mascot at the Fisher Cat’s Family Day event was very well received. Eddie hopes work can continue with some of the sports teams, including the Monarchs. Advertising will include printed articles and live and pre-recorded radio events. The Cinema movie theatres will also be providing some of the advertising.

**IV. CHAIRMAN'S REPORT & LATE ITEMS**

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated April 20 through April 26, 2006. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests submitted for the month of May 2006. The motion was unanimously adopted.

3. Late Items/Other:

a. Bordeaux Update:

Nicole reported that there was no resolution at a meeting with Toni McKone of Southern Wine & Spirits of N.E., Inc. regarding the 2003 Bordeaux. The Commission will only be receiving one-half of what was ordered two years ago, which will be the first gross and some of the second gross. This decision was based upon what the Commission has ordered in years' past. However, the Commission will receive the full order of 2004 Bordeaux. Commissioner Byrne asked for a memorandum on this to show to Diageo representatives when he happens to meet with them.

**V. EXECUTIVE SESSION**

The Commission went into non-public session at 2:00 p.m. to discuss personnel, store location and Enforcement matters.

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Anthony C. Maiola, Chairman

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John W. Byrne, Commissioner

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Patricia T. Russell, Commissioner

